

Business Subsidy Policy and Criteria For the City of Warren

1 PURPOSE

- 1.01** The purpose of this policy is to establish the position of the City of Warren relating to the use of tax increment financing, tax abatement, industrial revenue bonds, JOBZ Incentives and other business assistance programs for private development. The City will use this policy as a guide in processing and reviewing applications requesting tax increment, tax abatement, bonding and other business assistance, including JOBZ.
- 1.02** The City may amend or waive any part of this policy as allowed under Minnesota Law.

2. STATUTORY LIMITATIONS

- 2.01** This policy is adopted in compliance with M.S. 116J.994 Subd.2 and M.S.469.310-469.320. A copy of the policy shall be submitted to the Department of Employment and Economic Development. All business assistance requests must comply with applicable Minnesota law.

3. DEFINITIONS

- 3.01** “Authorized Business Subsidy Signatory” means the Mayor and the City Clerk/Treasurer for the City who are authorized by this policy to execute business subsidy agreements on behalf of the City;
- 3.02** “JOBZ Business Subsidy” means tax exemptions or tax credits available to a qualified business located in a job zone under the Job Opportunity Building Zone (JOBZ) statute M.S. §§469.310-469.320;
- 3.03** “Business Subsidy” means a state or local government agency grant, contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business, and as defined by the Business Subsidy statute M.S. §§116J.993- 116J.995.
- 3.04** “Business Subsidy Agreement” means the agreement reached by and between the Qualified Business and the Subzone Administrator acting on behalf of the City of Warren relating to the approval of a Business Subsidy, including related terms and conditions.

- 3.05 “**Business Subsidy Report**” means the annual report submitted by the City of Warren required to comply with M.S. §116J.994 Subd. 7. (b) through 116J.994 Subd.8;
- 3.06 “**Criteria**” means the equitably applied, uniform standards by which the City bases its decision to award any business subsidy to a private business or development project establishing a business and creating living wage jobs;
- 3.07 “**DEED**” means Minnesota Department of Employment and Economic Development;
- 3.08 “**Benefits**” means non-mandatory benefits such as paid time off, health insurance, dental insurance, child care benefits, cafeteria plan benefit packages and /or life insurance. For purposes of this definition, “Benefits” does not include workman’s compensation, unemployment compensation and social security benefits;
- 3.09 “**Living Wage Job**” shall mean a job, which pays a wage and benefit rate per hour of at least 110% of the current poverty level for a family of four; adjusted annually.

“**Local Governmental Unit**” means the City of Warren;

- 1 “**JOBZ Qualified Business**” means a person that carries on a trade or business at a place of business located within a Job Opportunity Building Zone as referenced in M.S. § 469.310 Subd. 11; and complies with the reporting requirements specified by M.S. §469.313 Subd. 2. (5); and shall comply with the criteria in Section 4 of this business Subsidy Policy; and shall also mean “Recipient” as defined by Business Subsidy Law. A qualified business shall not include a retail business, a low-wage service business, an agriculture production business, or a business that pays less than the living wage defined in this policy;
- 3.12 “**Recipient**” means any business entity that receives a business subsidy as defined by M.S. § 116j.993 and that has a Business Subsidy Agreement with the City;
- 3.13 “**Relocating Business**” a business relocating from another Minnesota non-JOB Zone location;
- 3.14 “**Relocation Agreement**” means a binding written agreement between a relocating JOBZ qualified business and the commissioner of DEED pledging that the qualified business will either: (a) increase full-time or full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent, or (b) make a capital investment on the property equivalent to 10% of the gross revenues of operation that was relocated in the immediately preceding taxable year; and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met;

3.15 “Subzone” means that parcel or parcel of land designated by the Commissioner of Employment and Economic Development within a Job Opportunity Building Zone within the boundaries of the City to receive certain tax credits and exemptions specified under M.S. § 469.310-469.320;

3.16 “Subzone Administrator” means the person or entity authorized by the City to act as its Subzone Administrator.

4. ELIGIBLE BUSINESS ASSISTANCE USES

4.01 The City will consider using business assistance tools to assist private development only in those circumstances in which one or more of the following public purposes are met by the project:

- A Enhance economic diversity in this area;
- B. Create high quality job growth in this area;
- C. Retain high quality jobs in this area where job loss is specific and demonstrable;
- D. Stabilize the community;
- E. Encourage entrepreneurial commercial/industrial endeavors;
- F Accelerate the development process and achieve development on sites which would not be developed without assistance.
- G. Increase the local tax base.
- H. The proposal should be consisted with the development, etc.

5. BUSINESS ASSISTANCE PROJECT EVALUATION CRITERIA

5.01 The City will evaluate all projects on the following criteria for comparison with other proposed business assistance projects reviewed by the City, and for comparison with other subsidy standards (where appropriate). Changes in local markets, construction costs, and interest rates may cause changes in the amounts of business assistance proposals, using uniform standards whenever possible.

5.02 While some criteria, by their very nature, must remain subjective, the City has established possible “benchmark” criteria for review purposes. The fact that a given proposal meets one or more “benchmark” policy criteria does not mean that the project is entitled to funding under this policy, but rather that the City is in a position to proceed with evaluations of (and comparisons between) various business assistance proposals, using uniform standards whenever possible.

5.03 The City will use the following evaluation criteria to determine whether or not to approve the application for a Business Subsidy:

- A. All proposals should optimize a site's private development potential.
- B. All proposals should create the highest feasible number of new jobs.
- C. All proposals must meet all applicable business assistance criteria established by the City.
- D. All proposals should create the highest possible ratio of property taxes paid before and after development after taking into consideration all of the project's goals.
- E. Proposals should normally not be used to support speculative industrial, commercial, and office projects.
- F. The City will not normally provide business assistance to a project that involves an excessive land and/or property price.
- G. The City will not normally use business assistance for projects that are determined to generate significant environmental or social problems.
- H. Consistency of the proposal with the development plans, policies and regulations of the City.
- I. The project must be financially feasible, including consideration of any financial risk to the City.

6. APPLICATION PROCESS AND FEES

6.01 All applicants for business assistance must fill out and submit a Business Subsidy Application.

6.02 All applications must include an application fee as established by the City. The City, or its assigned financial consultant, may seek reimbursement for an amount negotiated in the Business Subsidy Agreement for any additional costs and expenses incurred in processing the application.

7. ADDITIONAL JOBZ BUSINESS SUBSIDY REQUIREMENTS

7.01 If required by State Statute, the City will hold a public hearing before granting or denying JOBZ assistance. The City will publish notice of the public hearing at least ten (10) days before the hearing.

7.02 If the City decides to grant JOBZ assistance to the applicant, the applicant and the City must enter into a Business Subsidy Agreement that specified wages and job goals to be attained within two years of the benefit date.

8. BUSINESS ASSISTANCE AWARD

8.01 If required by State Statute, the City will hold a public hearing before granting or denying the business assistance. The City will publish notice of the public hearing at least ten (10) days before the hearing.

8.02 If the City decides to grant business assistance to the applicant, the applicant and the City must enter into a Business Subsidy Agreement as required by State Statute.

9. ADDITIONAL JOBZ BUSINESS SUBSIDY REQUIREMENTS

Any time the City provides a business subsidy to a Qualified Business or Recipient, that business is subject to the wage goals, job goals and other criteria set forth in this policy. In the event of a conflict between the requirements of the Business Subsidy Statute M.S. §§116J.993-116J.995 and JOBZ statute M.S. §§469.310-469.320, the JOBZ statute shall control.

The City may deviate from wage and job criteria in this Section by documenting in writing the reason for the deviation and attaching a copy of this reason to the next annual Business Subsidy Report submitted to DEED.

The City shall require all businesses receiving a business subsidy to comply with the following:

1. If required by State Statute, a properly noticed public hearing will be held by the City as provided by M.S. § 116J.994. The purpose of the hearing shall be to identify the criteria that the qualified business or recipient will meet in order to be eligible to receive a business subsidy or become a qualified business for purposes of the JOBZ statute.
2. If the business is qualified to receive JOBZ tax benefits, that business shall agree to continue to operate in the jurisdiction where the subsidy is used (the subzone) for the duration of the job zone term.
3. If the qualified business or recipient is a relocation business under the definition in this agreement, the business shall be required to enter into a binding written "Relocation Agreement" between the qualified business and the Commissioner of DEED pledging that the qualified relocation business will either:
 - (a) increase full-time or full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent, or
 - (b) make a capital investment of the property equivalent to 10 percent of the gross revenues of operation that was relocated in the immediately preceding taxable year, and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met.

The business shall identify an operation start date when business operations for the proposed qualified business are planned to begin in the zone.

Date: June 28, 2004

ATTEST:

/s/ Dick Nelson

. **Dick Nelson, Mayor**

/s/ Robert Brooks

Robert Brooks, City Clerk